

# NURSING HOMES

HB 2351 (S) - March 2, 2011

These are the cuts from our current levels of reimbursement facing nursing homes in the upcoming biennium based on the Governor's budget and legislative subcommittee actions to date:

**CUTS PROPOSED INCLUDE ALL FUNDS AND ARE BIENNIAL:**

*Amounts not included in Governor's budget:*

2% rate decrease	-\$ 4.4 M	
Direct care wage funding	-\$11.4 M	
<b>Total Governor's cuts</b>		<b>-\$15.8M over the biennium</b>

*Amounts cut by Joint Appropriations Subcommittee:*

5% cuts (patient days)	-\$ 4.0 M	
Restored by subcommittee	-0-	
5% cuts - rate decrease	-\$3.4 M	
Restored by subcommittee	\$2.4 M	
<b>Total subcommittee cuts</b>		<b>-\$ 5 M over the biennium</b>

*Current status - total cuts - Governor's budget and subcommittee action: \$20.9 M over biennium (all funds)*

**ADDITIONAL ISSUE - NH BED TAX:**

LFD indicates Governor's budget overspends the nursing home utilization fee by \$1.6M over the biennium. This means that this amount will be unavailable to match with federal funds to fund the nursing home rate. If unresolved, this issue costs \$4.6M over the biennium - total funds.

<i>Underfunded in Governor's budget according to LFD</i>	<b>-\$ 4.6M over the biennium</b>
<i>Restored by subcommittee</i>	<b>\$ 4.6M over the biennium</b>

**POTENTIAL ISSUE - HB 316 PROPOSED CUTS:**

Nursing home bed fee	-\$5.4 M over the biennium	
Tobacco tax	-\$2.4 M over the biennium	
<b>Impact of HB 316</b>		<b>-\$7.8 M over the biennium (all funds)</b>

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**NURSING HOMES**  
**Discussion of Joint Subcommittee Actions - Issues**

**Subcommittee actions:**

The subcommittee approved a "5% cut" to funding for nursing homes. According to the LFD Budget Analysis, page B-257, this reduction is a combination of two proposals:

- Moving 100 individuals from higher cost nursing home services into lower cost community services, reducing general fund by \$685,437 each year
- Reducing the Medicaid reimbursements for nursing home providers by \$1.56 per Medicaid day, reducing general fund by \$575,674 each year

These actions amounted to \$1,261,111 GF combined each year of the biennium and associated federal matching funds, for a total of \$7.4 M total funds over the biennium.

Our understanding is that the subcommittee intended to "restore" these cuts by doing the following:

- Providing funding to the HCBS program to serve the individuals moving from nursing homes
- Restoring the \$1.56 per Medicaid day cut to nursing home providers

**However, the actions of the subcommittee did not restore the nursing home rate to nursing home providers as anticipated.**

Description of 5% cut	Amount allocated by the Department in 5% cut description	Amount contained in subcommittee action	Difference
Move 100 individuals	\$685,437 GF each year	\$845,250 GF FY 2012 \$856,500 GF FY 2013	\$159,813 GF FY 2012 \$171,063 GF FY 2013
Cut nursing home rate	\$575,674 GF each year	\$415,861 GF FY 2012 \$404,611 GF FY 2013	(\$159,813) GF FY 2012 (\$171,063) GF FY 2012

**Issues:**

1. **Rate cut not fully restored.** The nursing home budget is short of restoring the rate cut by \$472,680 total funds in FY 2012 and \$499,308 total funds in FY 2013 - or nearly \$1 M over the biennium.
2. **Nursing home bed days under funded.** There is a strong likelihood that nursing home bed days are under funded. The Department made it clear during subcommittee discussion that it would be difficult if not impossible to move 100 individuals from nursing homes. The department aggressively pursues its "nursing home transition" program each year - assisting residents to return to home when possible. Typically, 40 or fewer residents are moved from the nursing home. The cut in the nursing home budget assumes that 100 individuals will move out of nursing homes on July 1, 2011 and remain out for two years. This is not a realistic assumption.

Nursing home services are an entitlement under Medicaid, so if in fact the caseload is understated, the individuals will be served but funding for them will not be in the budget. DPHHS will have to find cuts elsewhere and will potentially cut nursing home rates to fund the additional people.

**What can be done?**

1. **Restore funding for nursing home provider rate:**  
 \$159,813 GF and federal matching funds FY 12      \$171,063 GF and federal matching funds FY 13
2. **Deal with likely under funding of patient days in nursing homes.** This problem can be resolved by including language related to the funding in the HCBS waiver program to serve the 100 individuals that may be moved from nursing homes. Appropriate language would be:

*Funding in this line item may be used only to fund plans of care for individuals moved from nursing homes into community settings under the waiver, to maintain individuals in assisted living facilities and others in the community who are at immediate risk of nursing home placement and to fund nursing home bed days in the event bed days are under funded.*

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## NURSING HOME FACTS

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**Who we serve – the most frail and needy older Montanans.** Montana's nursing homes provide care to our most vulnerable elderly - people who can no longer care for themselves. When even the most loving families find it impossible to deal with the extreme physical and mental disabilities of their loved ones, they come to us for help. Because of their many needs, these individuals require 24-hour care and are not candidates for other less intense services. Normally, these individuals have used all of their savings paying for their care, have sold their homes and have otherwise impoverished themselves. Any income, including their social security checks, are applied to the cost of their care. They get to keep \$50 per month to meet any personal needs they may have such as shoes, clothing, hair cuts and the like. These are people who have worked hard all their lives, paid taxes and contributed to their communities, but now they are old and sick and need our help.

**The role of Medicaid in nursing homes - 60% of our customers are on Medicaid.** The state of Montana - through the Medicaid program - has taken on the responsibility of paying for the care of those who cannot afford their own care. Over 60% of the people in our nursing homes are on Medicaid. Because so many of those we care for are on Medicaid, and because the state has accepted responsibility for those on Medicaid, the state is our partner in assuring that these people get good care. Our ability to hire enough staff and to pay them a living wage, as well as our ability to pay our other expenses, is all dependent on whether the state pays us enough to get the job done.

**Impact of inflation - what happens when Medicaid fails to recognize our cost increases.** We are experiencing large increases in the cost of food, medical supplies, utilities, health insurance, liability insurance, labor and basic every day necessities. Our facilities are struggling. Some have reduced hours and staff, frozen wages, or taken other steps to reduce costs - steps that also reduce care. Some have increased the rates of those who pay for their own care, and some have asked local taxpayers to provide additional support. The cost increases we are experiencing are real and do not disappear because the legislature doesn't provide adequate funding.

**Medicaid rates are already less than the cost of providing care.** The current average rate paid to a nursing facility is \$164.02 for each day of care while the current average cost is about \$180.00 for each day of care. On average, nursing homes currently lost \$15.56 per day of care provided to Medicaid beneficiaries. By the end of the next biennium - unless this legislature takes further action - the per day shortfall will increase to about \$24 per day of care.

**Direct care wage increases have been specifically funded by the legislature.** Nursing homes have worked hard with help from the legislature in the form of funds directed to wages, to improve wages to our direct care workers and to distance their wage rates from the minimum wage. This is necessary to attract needed staff, particularly CNA's. Our workers provide the most basic and intimate types of care to residents no longer able to do them for themselves. They tend to their personal hygiene needs as well as other physical, emotional and spiritual needs - often taking the place of absent family. This work can be back-breaking and physically and emotionally draining. To attract well-qualified people to this work we must place value on it through the wages we pay.

The 2009 legislature appropriated about \$10M over the current biennium to be used for wages and/or lump sum payments to nursing home workers. The funding was OTO (one time only) but there can be no doubt that the workers who received it used it the way they would use any other compensation. This money is not included in the Governor's budget and these workers will in effect earn \$10M less over the next biennium than they did over the current biennium. If rate cuts also take effect, the impact on workers could be even greater.

**The state of Montana General Fund pays only about 18.8% of the cost of nursing home care.** For most Medicaid services, the state pays about 33% of the cost. For nursing homes, it is substantially less because of two factors: (1) the patient pays a considerable portion because all but \$50 per month of their income is used to pay for their own care; and (2) nursing homes pay a utilization fee (or bed tax) of \$8.30 per day on all patient days (not just Medicaid) which raises considerable revenue to use as state match instead of using state general funds.

<b>TOTAL AVERAGE RATE*</b>	<b>\$164.02</b>	
Paid by patient	29.80	(18.2%)
Paid by bed tax on nursing homes	13.53	(8.3%)
Paid by State	30.92	(18.8%)
Paid by Federal government	89.77	(54.7%)

**Nursing homes pay a "bed tax" to help fund nursing home care.** Nursing homes pay a provider tax to help fund Medicaid rates. Total provider tax paid by nursing homes amounts to about \$14.6 M annually. This money is used - instead of other state general funds or special funds - to match federal funds used to reimburse nursing homes. Nursing homes have paid this tax since 1992 to help assure the adequacy of Medicaid reimbursement rates.

**Counties with nursing homes also help fund Medicaid rates for nursing homes through the intergovernmental transfer (IGT) program.** Counties provide funding to the state and the funds are used to match with federal funds to enhance Medicaid payments to nursing homes. About \$800,000 of funding from the IGT program are diverted from the lump sum payments to nursing homes and are used instead to support the base rates in the nursing home and community services programs. Changes at the federal level have reduced this program to a point where it is difficult for some counties to fully participate. If counties continue to participate, this program provides about \$5 per patient day to county facilities and about \$2 per patient day to non-county facilities - as lump sum payments. Funding to nursing homes would be greater if funding wasn't being diverted to other programs.

**The state knows what it takes to operate a nursing home that provides high quality of care.** The state operates a nursing home in Columbia Falls. The budget for that facility has been increased to account for increased costs and the need for more staff to care for patients whose care needs continue to increase. The state is doing the right thing in that facility - they are providing excellent care. But, the state is currently spending over \$270 per day of care in its own nursing home, while asking other nursing homes to do the job for \$164 per day.

**State agencies receive inflationary increases as part of "current level".** Government agencies receive inflationary increases as part of "current level" - to account for cost increases they know are coming - while those of us in the private sector have nothing for inflation in our current level appropriations.